



STATE OF WASHINGTON
OFFICE OF THE FORECAST COUNCIL

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February 11, 2004

TO: Senator Lisa Brown, Chair
Senator Joseph Zarelli
Representative Jack Cairnes
Representative Jim McIntire
Marty Brown, OFM, Director
Will Rice, DOR, Acting Director

FROM: Chang Mook Sohn, Executive Director
Office of the Forecast Council

SUBJECT: FEBRUARY 10, 2004 REVENUE COLLECTION REPORT

General Fund-State (GFS) collections totaled \$1,013.4 million in the January 11-February 10, 2004 collection period. Receipts were \$12.0 million (1.2 percent) higher than expected for the month. All major tax sources, with the exception of the cigarette tax, were above the forecast for the month. Revenue Act (retail sales, business & occupation, use and public utility taxes) receipts, real estate excise tax payments and property tax payments showed the largest positive variance. Higher than expected collections this month reduces the cumulative shortfall since the November forecast to \$7.8 million (-0.2 percent).

The U.S. unemployment rate fell again in January 2004 to 5.6 percent. It has fallen or remained the same for seven consecutive months. January's rate is the best since January 2002. The economy added 112,000 payroll jobs in January. Although January's increase was less than expected, this is the fifth straight month of job growth after declines in ten of the previous twelve months. At the state level, employment also increased in December after falling two of the previous three months. The modest improvement in jobs with the small revenue variance indicates that the forecast is pretty much on track.

Revenue Act receipts were \$8.0 million (0.9 percent) higher than the estimate for the month, although they remain \$14.4 million (-0.6 percent) below the forecast the three months since the November forecast. Collections this period primarily reflect December 2003 business activity of monthly taxpayers, October through December activity of quarterly filers and calendar 2003 activity of annual taxpayers. Revenue Act collections this month were 4.8 percent more than a year-ago adjusting for new legislation and special factors. This month's growth was similar to the 5.1 percent increase last month and well above the 1.0 percent increase two months ago. For the last three months combined, Revenue Act growth averaged 3.8 percent about the same as in the third quarter.

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Preliminary data on tax payments of 9,000 large taxpayers who filed electronically for the current month again show retailers doing better than non-retailers. Total tax payments of business in the retail trade sector were 5.7 percent above the year-ago level, with all sectors with the exception of gas stations & convenience stores, reporting increases. For the second straight month building materials and garden equipment retailers reported the largest gain, 14.1 percent. Other retailing sectors with strong increases were furniture and home furnishing stores (+12.5 percent), auto retailers (7.2 percent), food stores (+8.6 percent) and apparel and accessories retailers (+7.9 percent). Outside retailing, activity was significantly weaker. In total, tax payments by non retailers in this sample increased 0.2 percent. There was a wide disparity among industries. The manufacturing sector was strong, up 9.3 percent. Other large non retailing sectors with gains include: utilities (+2.8 percent), construction (1.2 percent), arts entertainment and recreation (+15.8 percent) and accommodations and food service (+5.0 percent). Non retail trade sectors reporting declines include: finance and insurance (-24.3.0 percent), wholesale trade (-4.9 percent) and information services (-1.7 percent).

Non-Revenue Act General Fund taxes collected by the Department of Revenue were \$4.0 million above the estimate for the month. Most major taxes were greater than expected including real estate excise tax (\$2.2 million), state property tax payments (\$1.0 million) and liquor taxes (\$865,000). The cigarette tax was the exception with payments \$88,000 less than the estimate for the month. For the three months since the November forecast non revenue act taxes are \$6.7 million more than expected mostly due to higher real estate excise tax (\$4.2 million) and estate tax (\$2.3 million) payments.

After more than a year of double digit increases, real estate activity weakened considerably the last two months. Last month real estate excise activity fell for the first time in fifteen months. While activity remains weak there was some improvement this month. Real estate activity (closings in December which reflect tax payments to the state in January) was 3.9 percent above the year-ago level statewide. This was a little better than expected and better than last month's 1.2 percent decline. For the month the number of transactions rose 1.3 percent after declining 4.4 percent last month. The average value per transaction increased 2.6 percent this month.

Department of Licensing General Fund-State collections, which primarily reflect various license fees, were \$6,000 below the estimate for the month. Cumulative, Department of Licensing GFS revenue is \$89,000 less than expected

The attached Table 1 provides a comparison of collections with the November 2003 forecast for the January 11 - February 10, 2004 collection period and cumulatively since the November 2003 forecast. Table 2 compares revised collection figures to the preliminary numbers reported in last month's collection report.

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Attachments

TABLE 1
Revenue Collection Report
February 10, 2004 Collections Compared to the November 2003 Forecast
Thousands of Dollars

<u>Period/Source</u>	<u>Estimate*</u>	<u>Actual</u>	<u>Amount</u>	<u>Difference</u>
				<u>Percent</u>
January 11 - February 10, 2004				
Department of Revenue-Total	\$1,000,938	\$1,012,943	\$12,005	1.2%
Revenue Act** (1)	909,306	917,291	7,985	0.9%
Non-Revenue Act(2)	91,632	95,652	4,020	4.4%
Liquor Sales/Liter	10,976	11,841	865	7.9%
Cigarette	4,218	4,130	(88)	-2.1%
Property (State School Levy)	11,254	12,256	1,002	8.9%
Estate	7,953	8,022	70	0.9%
Real Estate Excise	44,701	46,929	2,228	5.0%
Timber (state share)	0	0	0	NA
Other	12,530	12,474	(56)	-0.4%
Department of Licensing (2)	511	506	(6)	-1.1%
Lottery (5)	0	0	0	NA
Total General Fund-State***	\$1,001,450	\$1,013,449	\$11,999	1.2%
Cumulative Variance Since the November Forecast (Nov. 11, 2003 - February 10, 2004)				
Department of Revenue-Total	\$3,145,125	3,137,402	(7,723)	-0.2%
Revenue Act** (3)	2,248,335	2,233,917	(14,419)	-0.6%
Non-Revenue Act(4)	896,790	903,486	6,696	0.7%
Liquor Sales/Liter	27,000	28,626	1,627	6.0%
Cigarette	12,308	11,978	(330)	-2.7%
Property (State School Levy)	642,221	641,473	(748)	-0.1%
Estate	27,531	31,738	4,207	15.3%
Real Estate Excise	133,472	135,722	2,250	1.7%
Timber (state share)	2,237	2,151	(86)	-3.9%
Other	52,021	51,798	(224)	-0.4%
Department of Licensing (4)	1,669	1,580	(89)	-5.3%
Lottery (5)	0	0	0	NA
Total General Fund-State***	\$3,146,795	\$3,138,983	(\$7,812)	-0.2%

1 Collections January 11 - February 10, 2004. Collections primarily reflect December 2003 activity of monthly taxpayers, fourth quarter activity of quarterly files and calendar 2003 activity of annual taxpayers.

2 January 1-31, 2004 collections.

3 Cumulative collections, estimates and variance since the November 2003 forecast; (November 11 - February 10, 2004) and revisions to history.

4 Cumulative collections, estimates and variance since the November forecast; (November, December and January) and revisions to history.
5 Lottery transfers to the General Fund

* Based on the November 2003 economic and revenue forecast.

**The Revenue Act consists of the retail sales, B&O, use, public utility, tobacco products taxes, and penalty and interest.

*** Detail may not add due to rounding. The General Fund-State total in this report includes only collections from larger state agencies: the Department of Revenue and the Department of Licensing.

TABLE 2
January 10, 2004 Collection Report - Revised Data
Thousands of Dollars

<u>Period/Source</u>	<u>Collections Preliminary</u>	<u>Revised</u>	<u>Difference Amount</u>	<u>Percent</u>
December 11-January 10, 2004				
Department of Revenue-Total	\$970,962	\$970,962	(\$0)	-0.0%
Revenue Act (1)	661,102	661,102	0	0.0%
Non-Revenue Act(2)	309,859	309,859	0	0.0%
Liquor Sales/Liter	8,338	8,338	0	0.0%
Cigarette	4,496	4,496	0	0.0%
Property (State School Levy)-net	244,693	244,693	0	0.0%
Property tax collections	244,693	244,693	0	0.0%
transfer to the Student Achievement Acct.	0	0	0	NA
Estate	10,700	10,700	(0)	-0.0%
Real Estate Excise	35,289	35,289	(0)	-0.0%
Timber (state share)	0	0	0	NA
Other	6,343	6,343	(0)	-0.0%
Department of Licensing (2)	687	613	(74)	-10.8%
Lottery (2)	0	0	0	NA
Total General Fund-State***	971,649	971,575	(\$74)	-0.0%

Cumulative Receipts: November 11 - January 10, 2004 & Revisions to History

Department of Revenue-Total	2,124,459	\$2,124,459	\$0	0.0%
Revenue Act (3)	1,316,626	1,316,626	(0)	-0.0%
Non-Revenue Act(4)	807,834	807,834	(0)	-0.0%
Liquor Sales/Liter	16,786	16,786	(0)	-0.0%
Cigarette	7,847	7,847	0	0.0%
Property (State School Levy)-net after transfer	629,217	629,217	(0)	-0.0%
Property tax collections	629,217	629,217	(0)	-0.0%
transfer to the Student Achievement Acct.	0	0	0	NA
Estate	23,715	23,715	0	0.0%
Real Estate Excise	88,794	88,794	(0)	-0.0%
Timber (state share)	2,151	2,151	(0)	NA
Other	39,324	39,324	(0)	-0.0%
Department of Licensing (4)	1,149	1,075	(74)	-6.5%
Lottery (4)	0	0	0	NA
Total General Fund-State***	\$2,125,608	\$2,125,534	(\$74)	-0.0%

Preliminary. Reported in the January 10, 2004 collection report.

1 Collections December 11 - January 10, 2004. Collections primarily reflect November 2003 business activity of monthly taxpayers.

2 December 1-31, 2003 collections.

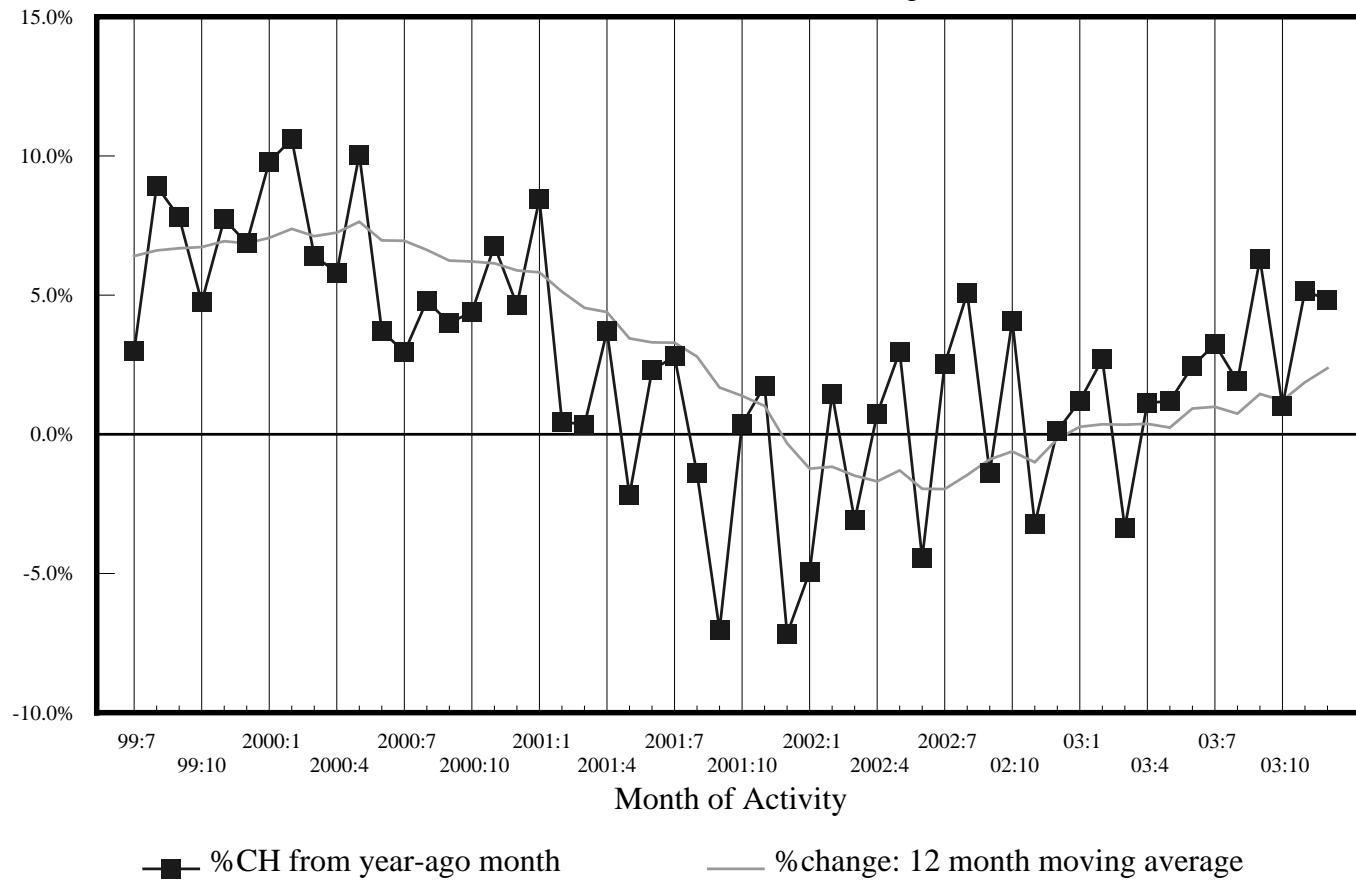
3 Cumulative receipts since the November 2003 forecast: November 11- January 10,2004 & revisions to history.

4 Cumulative receipts since the November 2003 forecast (November & December 2003) & revisions to history.

* Revenue consists of the retail sales, B&O, use, public utility and tobacco products taxes, and penalty and interest payments for these taxes.

Revenue Act Net Collections*

Year-over-Year Percent Change



—■— %CH from year-ago month

— — %change: 12 month moving average

*Adjusted for special factors